

# Moscow Markets Absorb News of U.S. Sanctions With Minimal Losses

By [The Moscow Times](#)

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Moscow stocks fell Thursday after Crimea's parliament voted to join Russia and the U.S. ordered an asset freeze and visa bans against those involved in Russia's military intervention in the Ukrainian region, before recovering most of their losses in evening trading.

After a calm start, the dollar-denominated RTS index fell more than 3 percent 1,132 points after the Crimean parliament's unanimous vote to annex the region to Russia. By the evening, however, the index had recovered half of that loss.

The ruble-traded MICEX also weathered a 3.6 percent fall to 1,305 points in the afternoon, but had by the evening risen to be 1 percent down on the day.

Mikhail Kantolinsky, equity trader at UralSib in Moscow, said that local traders had two concerns:

"There is a fear of a war and there is a fear of a potential Ukraine default," Kantolinsky said. "The Crimean authorities are inclined to become part of the Russian Federation — Kiev, of course, will be against, and that means that an armed conflict may be inescapable."

Moody's ratings agency said Thursday that Russia's actions in Ukraine were negative for Russia's sovereign creditworthiness. Moody's and the Fitch ratings agency said the crisis would weigh on Russia's economy.

"This negative sentiment, which is likely to translate into increasing net private sector capital outflows that have already been a structural impediment to Russia's economic development, will negatively affect Russia's GDP growth," Moody's said in a statement.

"The threat of potential political and economic sanctions from the West could further undermine investor sentiment and affect the creditworthiness of Russian borrowers."

Analysts at ING Bank in Moscow, estimate that should the conflict in Ukraine escalate dramatically, capital outflow from Russia could reach \$100 billion to \$150 billion by the end of the year.

"In such circumstances, a fair exchange rate would be in the range of 39 rubles to 42 rubles per dollar," the analysts said in a note. For now, however, they retained their 2014-end forecast of the ruble at 35.70 rubles to the dollar.

Analysts polled by Reuters before President Vladimir Putin declared at the weekend Russia had the right to invade Ukraine, forecast capital flight from Russia at \$56 billion.

The ruble was down 0.6 percent against the dollar at 36.15 at 8 p.m. Moscow time and down 0.8 percent versus the euro at 50.07, increasing its early-day losses.

Analysts at VTB Capital reckon that the ruble is about 8.0 to 8.5 percent behind the emerging-market average index so far this year, and Ukraine's political crisis has accounted for 2.0 to 3.0 percentage points of that.

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